

WAYNE COUNTY DHS
GRATIOT/SEVEN MILE
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INTRODUCTION

The Office of Internal Audit performed an audit of Wayne County DHS, Gratiot/Seven Mile District for the period January 1, 2007 through February 25, 2008. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Gratiot/Seven Mile District had 90 full-time equated positions (FTE's) at the time of our review. Gratiot/Seven Mile District provided assistance to an average 25,778 recipients per month during FY 2007, with total assistance payments of \$49,027,605 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Gratiot/Seven Mile District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Cash Disbursements

Safe and Controlled Documents

State Emergency Relief

Direct Support Services

Client Processing

CIMS/ASSIST

Payroll Review

Procurement Card

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Gratiot/Seven Mile District internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found controls were adequate in the areas of Safe and Controlled Documents and Cash Receipts. However, we found instances of noncompliance with DHS policies and procedures and weaknesses in internal controls which are detailed below.

DISTRICT OFFICE RESPONSE

The management of Wayne County DHS, Gratiot/Seven Mile District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated May 15, 2008 that they are in general agreement with the report and the corrective action needed to comply with policies and procedures.

FINDINGS AND RECOMMENDATIONS

Procurement Card

Purchases not Logged

1. Gratiot/Seven Mile District did not record all purchases on the Procurement Card Transaction Log or was there a third party verification that the item was received for one out of 13 transactions tested. It was noted that the purchase was made in error due to the request being denied by Wayne County Resource Management. The Primary Internal Control Criteria states that each card purchase is posted to the procurement Card Transaction Log by the cardholder and verified by a third party that the goods were received.

WE RECOMMEND that all Procurement Card purchases made are logged and verified by a third party that the goods were received.

Employment Support Services

Missing Documentation for Vehicle Purchases and Repairs

2. Gratiot/Seven Mile District did not have all the necessary case documentation for a vehicle repair or purchase on file. One file could not be located and 3 cases did not have all the documents to support the payment. The Program Eligibility Manual (PEM) Item 232 requires the MIS form, the Support Determination Form (DHS-4749), the reason for the repair or purchase, the invoice, payment and approval documents necessary to support the payment.

WE RECOMMEND that Gratiot/Seven Mile District complete and maintain all necessary forms in the case record to support the purchase or repair of a vehicle.

Client Processing, Cash Disbursements, SER Payments, DSS Payments

Improper packeting of Case Records and Missing Workers Signatures

3. Gratiot/Seven Mile District did not properly packet case files for 22 out of 58 cases reviewed. The screen dumps and verifications were placed inside the application and placed in the case record. Reference Forms and Publications Manual (RFF) 3524 states the case packet cover sheet is to be used to organize the case information to easily locate specific case information. The PAM Manual Item 300 page 2, requires the case record to contain accurate, complete, well organized information in each program section. Maintaining the case record in correct packet order will help ensure that the necessary information has been received and is used to support payments made.

In addition, Gratiot/Seven Mile District did not have workers signature and date recorded on the client application (DHS-1171) for 5 out of 42 cases reviewed.

Reference Forms and Publications Manual (RFF) 1171 states that a department representative must sign and date next to the client's signature on the application.

WE RECOMMEND that Gratiot/Seven Mile District packet the case records in an organized manner and ensure all applications are signed and dated by the worker.

State Emergency Relief

Case File Record

4. Gratiot/Seven Mile District did not have an application (DHS-1171) or SER payment information for 4 and 8 out of 20 cases tested respectively. The State Emergency Relief Manual Item 103 requires the SER application, SER budget, decision notice, DHS-849, or accepted transaction screen dump and the original invoice be maintained in the case file. Maintaining case file documentation will ensure the SER payments made are properly supported, documented and appropriate.

WE RECOMMEND that Gratiot/Seven Mile maintain case record documentation to support payments made on behalf of a client

CIMS/ASSIST

CIMS Security Agreements

5. Gratiot/Seven Mile District did not have accurate, up-to-date CIMS Security Agreements (DHS-3974) on file for 53 out of 92 employees who access the Client Information Management System (CIMS) as required by L-Letter 97-063. Forty-one of the employees had a CIMS status or operator I.D. that did not agree with the status code listed on the Operator Identification Report (PF-011) and 12 security agreements were incomplete. An accurately completed Security Agreement is necessary to document that

the employee understands the responsibilities associated with their CIMS access and that the supervisor approves the level of CIMS access.

WE RECOMMEND that Gratiot/Seven Mile District ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

Note: Corrective Action taken while auditor was on site

ASSIST Security Agreements and Enrollment Profiles

6. Gratiot/Seven Mile District did not have ASSIST Security Agreements (DHS-3721) for 8 out of 90 employees who access ASSIST as required by L-Letter 97-156. Also, the district did not have ASSIST Enrollment Profiles (DHS-3720) for 5 out of the 90 employees who access ASSIST. Job types were different for 21 out of 90 employees on the Enrollment Profile than was listed on the ASSIST Monthly User Listing (VB9-554). One employee had a name change and a new agreement was not prepared. An accurately completed ASSIST Enrollment Profile and Security Agreement is necessary to document the employee understands what job types and what level of security they have.

WE RECOMMEND that all employees have accurate up to date ASSIST Security Agreements and Enrollment Profiles.

Note: Corrective action taken while auditor was on site

Security Officers Log Report (PD-180)

7. Gratiot/Seven Mile District did not reconcile the Security Officers Log Report (PD-180) to the Security Agreements (DHS-3974A) as required by L-Letter 97-063. Reconciling the changes recorded on the PD-180 to the signed Security Agreements ensure that all

changes are accurately reflected on the Security Agreement and the workers understand the capabilities they have on the CIMS system.

WE RECOMMEND the security officer reconciles the PD-180 to the revised Security Agreements.

Daily Officer's Log Reports (VB9-173)

8. Gratiot/Seven Mile District did not reconcile the Daily Officers Log Report (VB9-173) to the ASSIST Enrollment Profile as required by the Primary Internal Control Criteria for Local/District Offices. A complete reconciliation is necessary to ensure that accurate and up to date Enrollment Profiles have been prepared and signed by management to provide documentation that workers are aware of the changes and understand their ASSIST access.

WE RECOMMEND that all the Security Officer reconcile the VB9-173 report to the updated Enrollment Profiles.

MA-010 Reconciliations

9. Gratiot/Seven Mile District is not reconciling all of the key transactions listed on the Transaction Control Listing (MA-010) report. Only the ampersand transactions on the MA-010 report are being reconciled. Local Office Internal Control Criteria requires all key transactions and ampersand transactions to be reconciled. Key transactions include case openings, case reopenings, warrant rewrites, and ampersand transactions for all programs. Reconciliation of the key transactions provides assurance that transactions are properly authorized and correctly entered on CIMS.

WE RECOMMEND Gratiot/Seven Mile District reconcile all of the key transactions on the Transaction Control Listing (MA-010) as required by the Local Office Internal Control Criteria.

MA-010 Reconciliation - Supplemental Payments

10. The Gratiot/Seven Mile District did not reconcile the Supplemental Payments listed on the Transaction Control Listing (MA-010) or SP-270 Report to the Supplemental Payment Authorization and other supporting documentation, as recommended by the Primary Internal Control Criteria for DHS Local/District Office Operations. Reconciling the Supplemental Payments (DHS-13) to the MA-010 or SP-270 helps to ensure that the payments made are accurate and properly supported.

WE RECOMMEND that the Gratiot/Seven Mile District reconcile the Supplemental Payments on the MA-010 or SP-270 report to the DHS-13's and other supporting documentation.

Cash Disbursements

Missing Case File Documentation

11. Gratiot/Seven Mile District did not have complete case information for Emergency Service (ES) payments reviewed. One out of 6 cases selected for review did not contain the ES payment information. The State Emergency Relief Manual (ERM) 209 states when ES funds can be used and Wayne County ES policy indicates the forms necessary to process the ES payment. Preparing and maintaining the required forms in the case record ensures that the payment made is properly documented, supported and authorized.

WE RECOMMEND that Gratiot/Seven Mile case file records contain the necessary documentation to support the payments made.

Payroll and Timekeeping

Reconciliation of HR-332A (B) Turnaround Report

12. Gratiot/Seven Mile District did not reconcile the turnaround HR-332A to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the local office reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Gratiot/Seven Mile District reconcile the turnaround HR-332A report to the original HR-332A report.

Missing Signatures on Time Sheets

13. Gratiot/Seven Mile District did not have supervisor's signatures or date on 2 timesheets out of 2 payrolls tested. The Primary Internal Control Criteria for Local/District Office Operations recommends that the supervisor approve the employee timesheets attesting to the accuracy of all time reported.

WE RECOMMEND that the supervisors approve the employee time sheets by signing and dating the timesheet.

Safe and Controlled Documents

Obsolete Controlled Documents

14. The Gratiot/ Seven Mile District had obsolete Field Receipts (DHS-3451) on hand.

Accounting Manual Item 403 gives instructions for the destruction of obsolete forms. Keeping obsolete forms on hand increases the risk of these forms being used inappropriately.

WE RECOMMEND that Gratiot/Seven Mile destroy the obsolete Field Receipts in accordance with the instructions in Accounting Manual Item 403.